

Ernie Fletcher, Governor  
Commonwealth of Kentucky

Lajuana S. Wilcher, Secretary  
Environmental and Public Protection Cabinet

April 2004

# CHARITABLE CHATTER

## The Office of Charitable Gaming Newsletter

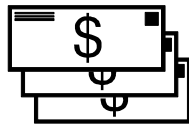
Department of Public Protection  
Jim Adams, Commissioner

### The Office of Charitable Gaming Executive Staff

John Winstead, Commissioner  
Carla Arnold, Deputy Commissioner  
Marty Hammons, Staff Assistant  
Chris Stallings, Staff Attorney

Leah R. Cooper, Assistant Director of Licensing &  
Compliance  
Ed Sobolewski, Assistant Director of Enforcement

## QUARTERLY REPORTS MUST BE POSTMARKED BY April 30, 2004



# REMINDER!!!

*The Office of Charitable Gaming would like to remind all organizations to continue to pay the .0053 of their gross receipts. The deadline for the fee is April 30<sup>th</sup>, same date the Quarterly Report is to be submitted.*



### COMMISSIONER'S CORNER



The Office of Charitable Gaming is dedicated to keeping its licensees informed of all issues and matters pertaining to charitable gaming in Kentucky. The Office

has been tracking legislation during the 2004 General Assembly pertaining to or impacting charitable gaming, its rules and regulations and/or licensees. Each legislative day, the Office reviews any legislation filed or introduced within the state legislature and posts each bill on the Office of Charitable Gaming web site. Please visit us at [dcg.ppr.ky.gov](http://dcg.ppr.ky.gov) and click on [2004 Legislation pertaining to Charitable Gaming] to review important legislation as it relates to charitable gaming in Kentucky.

If you have any questions regarding any of the posted legislation, please feel free to contact our office at 502-573-5528 or 1-800-729-5672. We look forward to assisting you.

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*What everyone should know  
about charitable  
gaming!!!!*



Prepared by Leah Cooper  
Assistant Director  
Office of Charitable Gaming

- 1) There are rules and regulations set forth at KRS 238.100, et seq., and 820 KAR 1, et seq. There is also a training manual. This information is all available on our web site, <http://dcg.ppr.ky.gov>.
- 2) There is a state agency that regulates it. We can be contacted at:  
The Office of Charitable Gaming  
132 Brighton Park Blvd.  
Frankfort, KY 40601  
(502) 573-5528  
<http://dcg.ppr.ky.gov>
- 3) A charity must have a charitable gaming license or exemption to raise funds through gaming. This includes raffles, bingo, pulltabs, Monte Carlo nights, school fairs, etc. This includes Kiwanis, Lions, Elks, Rotary, Junior League, churches, schools, etc. The licensing requirements for organizations are found at KRS 238.535.
- 4) In order to get a license, a charity MUST have a 501(c)(3)(4)(8)(10) or (19) status granted by the IRS or be a common school, institution of higher learning or a state college or university. If a charity does not have a tax exempt status, you can receive

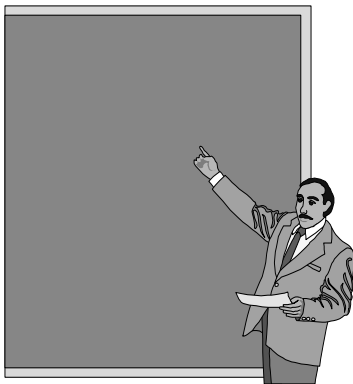
information about how to apply for one from the IRS. Its cost is approximately \$500 and takes approximately six (6) months. The Office does accept an advanced ruling by the IRS.

- 5) The charity MUST have been in existence for three (3) years in Kentucky and be able to show the charitable work it has done. The charity must also have had an office in the county in which it wishes to game for one (1) year prior to gaming. If the charity has not had an office in Kentucky for three (3) years, then it must operate in more than ten (10) states, have conducted charitable work in Kentucky for three (3) years, and have had an office in the county in which it wishes to game for one (1) year prior to gaming.
- 6) The charity MUST fill out an application and be approved before they start any charitable gaming activity INCLUDING selling raffle tickets prior to the event. This process takes about two (2) months and includes field verification of the information contained in the license application.
- 7) Please have a lawyer review ANY agreements the organization signs regarding its gaming activity. This includes leases for gaming space, leases for gaming equipment, check verification, and ATM machines. KNOW what the statute requires and what the organization is allowed to do. Also, use good common sense.
- 8) While the organization is undergoing the application process, the Office strongly urges you to attend training. The Office offers training the first Tuesday of every month at our office in Frankfort. The Office has also hosted an annual conference in Louisville the last two (2) years.
- 9) WE CAN'T STRESS THIS ENOUGH- charities experience the most trouble when they get in over their heads. Charitable gaming is a great way to make money but it does have special rules. Learn the rules first and learn them from the Office – not the facility, distributor, your next door neighbor, or your friend.
- 10) There are strict record-keeping requirements. They are found at KRS 238.550. These include: having a separate bank account for charitable gaming funds, reporting quarterly to the Office, keeping records available for audit, depositing the money within forty-eight (48) hours, and knowing which expenses are allowable.
- 11) The most important point is for the charity to make appropriate decisions about the type, scope, and duration of gaming activities. The Office can help with this. For instance, while an organization may make a lot of money with a bingo game, it is very time consuming and very labor intensive. You will need several volunteers for each gaming session. Raffles are much easier. Some charities have a gaming license and only conduct raffles and special events like casino nights. Since you may obtain an exemption if you

are going to handle less than \$25,000 and not sell pulltabs or have casino nights, your charity might wish to obtain an exemption and then if it handles more money, wishes to sell pulltabs, or have a casino night, apply for a regular charitable gaming license.

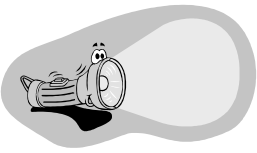
12) Last but not least:

- Don't let anyone else run your game. This is a fund raising mechanism for the charity just like bake sales and car washes.
- If you have gaming, make sure a report is made from the gaming activity to the board at regular intervals.
- Have the same internal controls you would for any other charitable money, i.e., dual signatures, separation of duties, etc.
- Don't let the organization fall for the "it's too complicated to understand, let me just handle it" routine.



**TRAINING AVAILABLE!!!**

**Don't forget training is available the first Tuesday of every month at the Office in Frankfort, KY beginning at 9:30 a.m. in our conference room. Please call and let us know when you can attend!! Please call 502-573-5528 or 1-800-729-5672 to make those arrangements. We look forward to hearing from you!!!!**



# STAFF SPOTLIGHT



## Assistant Director

Leah Cooper is the Assistant Director for the Division of Licensing and Compliance which is responsible for licensing the organizations, reviewing quarterly reports, collecting fees, and monitoring the games in progress to ensure the rules are being followed. She has been employed with the Office for three and one half (3 ½) years and previously served as staff attorney. She is a graduate of Centre College and the University of Kentucky College of Law. She brings to her position experience as a law clerk to the Hon. Edward Johnstone, Judge, United States District Court, Western District of Kentucky, an attorney in private practice, and an assistant Commonwealth Attorney. She lives in Frankfort with her dog Bailey.



## Assistant Director

Ed Sobolewski is the Assistant Director for the Division of Enforcement within the Office of Charitable Gaming. He has been employed with the Office for five and one half (5 ½) years. Ed retired from Kentucky State Police after 20 plus years of service. Prior to working for the Office of Charitable Gaming, Ed worked for the Tourism Cabinet, Kentucky Fair and Exposition Center and the Department of Insurance. Ed is married and has three adult children whom are all married.



## **HELPFUL HINTS FOR QUARTERLY REPORTING**

- You must file a quarterly report for every quarter that you have a gaming license **EVEN IF** you do not have any gaming activity that quarter. If you have made deposits or incurred expenses you must fill out the appropriate attachment.
- SIGN your quarterly report.
- KEEP a copy for your records.
- Make sure all the attachments are complete and are ATTACHED.
- Complete the quarterly report form. DO NOT attach computer generated check registers and/or spreadsheets, or session records, or pull tab sheets.
- List every check in consecutive order, even the voided ones.
- Make sure that the numbers on the attachments match the numbers on page 1. For example, if you list checks for rent totaling \$3,000 on Attachment A, put \$3,000 in Line 4 of Part 2 on Page 1.
- Make sure to include the account number, authorized signature, deposits, checks, and balance on the top of Attachment A.
- Make sure to include the account number to which you made a transfer on Attachment E.
- Pay for your office supplies (paper clips, rubber bands, pens, etc.) out of your general account, even if these supplies were used at charitable gaming.
- Do not write the facility for a check for “rent and security” or “rent and janitorial.” All of these items are included in “rent.” You should only write a separate check for “security” or “janitorial” if you pay someone other than the facility for these services.
- If you are having a fair, festival or carnival, etc., only pay for the gaming expenses out of the gaming account. These would include bingo supplies, pulltabs, raffle tickets, wheel games, and prizes. DO NOT pay for any other items used for the festival such as food,

beverages, plants, booths, etc., from your charitable gaming account. These should be paid from your general account.

- Door prizes should NOT be listed on Line 12 but MUST be listed on Line 16 on page 1.
- SALES and FEDERAL EXCISE TAX should be handled in the following manner:
  - On Line 1 list the amount of the supplies AND the amount of sales tax paid. This is usually the invoice amount.
  - On Line 12 list any federal excise tax paid.
  - On Line 13 list the amount of sales tax paid.
  - Subtract sales tax and federal excise tax paid on Lines 13 and 14.

### **PULLTAB SHORTAGES AND OVERAGES**

Several questions have recently been asked regarding the correct way to record pulltab sales, shortages and overages. The correct way to record pulltab sales is to record on the session sheet and the quarterly report the number of pulltabs of each kind your organization sells each night even if it is not a complete box. It is NOT correct to record the total ticket count for the box when you open the box or finish selling the box.

As for shortages or overages, this is the difference in the tickets sold (or missing from the box) and the money made. If you have more money than pulltabs sold or missing from the box, you have an overage. Conversely, if you have less money than pulltabs sold or missing from the box, you have a shortage. You should record this on your session sheet and the quarterly report.